

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2003-302-E - ORDER NO. 2006-539
SEPTEMBER 22, 2006

IN RE: Application of Duke Power Company LLC) ORDER
DBA Duke Energy Carolinas, LLC for) APPROVING
Authorization Under Article 13, Chapter 27 of) APPLICATION
Title 58 of The Code of Laws of South)
Carolina, (1976 as Amended), to Extend)
Termination Date of Credit Agreement)

This matter comes before the Public Service Commission of South Carolina (“Commission”) from Duke Power Company LLC d/b/a Duke Energy Carolinas, LLC (“Duke Energy Carolinas”) for approval of an Application to extend the termination date of a credit agreement. Duke Energy Carolinas’ Application was filed with this Commission on September 1, 2006, with reference to this Commission’s earlier Order No. 2003-638, issued in the above Docket and dated October 23, 2003 and Order No. 2006-408, issued in Docket Number 2004-141-E on July 26, 2006. Thereafter, this Commission met and unanimously approved this matter at its weekly Agenda Meeting on September 5, 2006.

FINDINGS OF FACTS

1. Duke Energy Carolinas is a public utility under the laws of the state of South Carolina and subject to the jurisdiction of this Commission.

2. Duke Energy Carolinas' Application reveals that, pursuant to this Commission's previous order, Duke Energy Carolinas, then known as Duke Energy Corporation, entered into a revolving credit facility dated September 16, 2003, with Merrill Lynch Capital Corp. ("Merrill"), as lender, under which it could borrow from time to time up to a maximum amount of \$150,000,000 (the "Existing Facility"). The expiration date of the Existing Facility was September 16, 2005. South Carolina law permitted a one year extension of the Existing Facility which was accomplished, bringing the termination date of the Existing Facility to September 11, 2006.

3. Duke Energy Carolinas' Application made reference to its Application in this Docket dated October 7, 2003, (the "Application"), which is incorporated herein by reference. The existing credit facility is further described in the Application and the exhibit thereto (see, The Summary of Terms and Conditions, which was attached as Exhibit "A" to the Application) (the "Term Sheet", which is also incorporated herein by reference).

4. Duke Energy Carolinas' Application explained that Duke Energy Carolinas utilizes the Facility to provide liquidity support for its commercial paper program. Citicorp North America, Inc. serves as administrative agent for the Facility.

5. Duke Energy Carolinas' Application argues that its review has determined that it is advisable for Duke Energy Carolinas to amend and restate the existing facility to extend the maturity for a three year term (with a one-year term loan available at the termination date), to reduce the amount available under the Existing Facility to \$75 Million (as so amended and restated, the "Merrill Facility"), and to shift the remaining

\$75 million authority previously granted to Duke Energy Carolinas in this Docket to a similar facility with an affiliate of Credit Suisse as lender (the “CS Facility” and, together with the Merrill Facility, the “Replacement Facilities”).

6. Except with respect to the borrowing amounts and maturity date, the terms and conditions of the Replacement Facilities will incorporate the terms and conditions of the amended and restated \$500 million syndicated credit facility approved by this Commission in its Docket No. 2004-141-E and Order No. 2006-408, incorporated herein by reference.

7. Duke Energy Carolinas’ Application states that if this Commission approves the relief sought in the Application, Duke Energy Carolinas’ borrowing authority under this Docket will remain at \$150 million, consisting of two \$75 million, three-year credit facilities (with a one-year term-out loan available at maturity), whose terms and conditions are identical to the terms and conditions recently authorized by this Commission in its Order No. 2006-408.

8. Duke Energy Carolinas’ Application contains information showing that Duke Energy Carolinas will pay certain fees, including attorneys’ fees related to the Replacement Facilities and a Facility Fee. Also, that such fees are the result of arm’s length negotiations with the lenders under the Replacement Facilities and are comparable to fees payable in similar transactions in the marketplace, and will result in lower borrowing costs to Duke Energy Carolinas.

9. Duke Energy Carolinas' Application states that Duke Energy Carolinas needed to finalize the Replacement Facilities by September 11, 2006. Therefore Duke Energy Carolinas' Application requested approval by that date.

10. Duke Energy Carolinas will file executed copies of the Replacement Facilities following closing.

11. Duke Energy Carolinas requested an Order in this Docket authorizing its entry into the Replacement Facilities, and Duke Energy Carolinas requested that this Commission's Order state that the Commission's original Order in this Docket will stay in full force and effect, except to the extent that the Order provides for the Replacement Facilities as described in Duke Energy Carolinas' Application.

12. The purpose of the Replacement Facilities and their compatibility with the Public Interests are all the same as stated in the Application in this Docket with respect to the Existing Facility.

13. Proceeds from sales of commercial paper backed by the Replacement Facilities, and from borrowings under the Replacement Facilities, will continue to be used as stated in the Commission's previous Order in this Docket.

14. The South Carolina Office of Regulatory Staff ("ORS") notified this Commission via hand delivery of correspondence on September 1, 2006, that, "Based on [ORS'] review, ORS has no objection to [Duke Energy Carolinas'] request."

CONCLUSIONS OF LAW

1. The Commission concludes that the relief sought by Duke Energy Carolinas is consistent with its previous Orders issued in the Dockets described herein.
2. The Commission concludes that the grounds stated in Duke Energy Carolinas' Application are sufficient to support the relief sought by Duke Energy Carolinas.
3. The Commission concludes that the fees described in the Application are reasonable.
4. The Commission concludes that the Commission's original order in this Docket should stay in full force and effect, except to the extent that this Order provides for Replacement Facilities as described in the Application.
5. Upon review and study of the Duke Energy Carolinas Application, its supporting data, Orders of this Commission and other information in the Commission's files, the Commission is of the opinion, and so finds, that Duke Energy Carolinas is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and that the entry into the Replacement Facilities and extension of the agreement, as set forth in Duke Energy Carolinas' Application, are compatible with and in the Public Interest, for lawful objects within the corporate purposes of Duke Energy Carolinas, necessary and appropriate for and consistent with the proper performance by Duke Energy Carolinas of its service to the public and will not

impair its ability to perform that service, and reasonably necessary and appropriate for such purposes.

6. The Commission concludes that the conditions of the Application are deemed reasonable.

7. The Commission concludes that the South Carolina Office of Regulatory Staff did not oppose the relief sought in Duke Energy Carolinas' Application.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. The Commission's original Order in this Docket will stay in full force and effect, except to the extent that this Order provides for Replacement Facilities as described in the current Application.

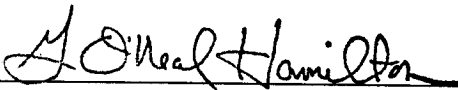
2. The extension of the maturity date of the Replacement Facilities to September 11, 2009 is hereby authorized and approved.

3. Duke Energy Carolinas' entry into the Replacement Facilities, the incurrence and repayment of indebtedness pursuant to the terms thereof, and the issuance of notes evidencing such indebtedness, all in the manner set forth in the Application, is hereby authorized and approved by this Commission.

4. This Order shall become effective upon the signature of the Chairman and shall remain in full force and effect until further Order of the Commission.

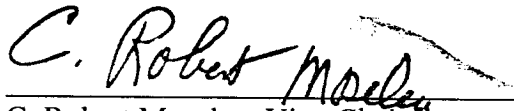
5. All references to the credit facility in the original Order shall be deemed to refer to the Replacement Facilities described in this Order.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



C. Robert Moseley, Vice-Chairman

(SEAL)